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USSR: Economic Plan for 1983

The economic goals for 1983 announced by State Planning Commission chairman Baybakov at the meeting of the Supreme Soviet last month reflect tacit abandonment of the original targets of the 1981-85 Plan. The more modest growth rates planned for 1983 are nonetheless substantially higher than those achieved in 1981-82 and suggest unrealistic expectations for gains in efficiency and productivity. The projected rise in outlays on producer durables implies that spending on military hardware will rise only slightly in 1983, if at all.

Neither the plan nor Andropov's speech to the Central Committee Plenum on 22 November point to major changes in the way the USSR is run. Andropov's stress on the need for more managerial autonomy in operational matters, closer linkage of rewards to worker productivity, and stricter enforcement of discipline among workers and managers alike represent changes in emphasis, not marked departures from the policies and methods of economic management under Brezhnev. The plan guidelines had been in process for months and had received approval of the standing commissions of the Supreme Soviet by mid-October. Thus the new plan should not be considered an Andropov plan and budget except insofar as his influence and that of his supporters became stronger in the last months of Brezhnev's rule.

Preliminary Results for 1982

Data announced to the Supreme Soviet by Baybakov indicate that economic growth this year, although positive, has once again been slow. The implied growth rate for GNP in 1982 is about 1.6 percent. Industrial output, which grew by a post-World War II low of 2.2 percent in 1981, will increase even less this year—about 1.5 percent.

Indicators of Soviet Economic Performance*Percent change*

	1980	1981	1982 ^a	1983 Plan
GNP	1.5	1.8	1.6	4.0
Industry	2.9	2.2	1.5	3.2
Agriculture	-3.7	-1.2	2.0	10.7

^a Preliminary.

Domestic farm output will rise by only about 2 percent, making 1982 the fourth consecutive poor year for Soviet agriculture. We estimate that the 1982 grain crop will only be about 165 million tons.

The most serious development for the new leadership this year is that already serious bottlenecks have intensified. Shortages of raw materials, fuels, and power have disrupted production and reduced output in almost all sectors of the economy. Most critical perhaps were the dislocations caused by the poor performance of the ferrous metals industry and the railroads. Shortfalls in the production of steel have become a major obstacle to growth in civilian machine building and other priority sectors.

The railroads, which bear the brunt of the transport burden in the USSR, appear to have reached their capacity. We estimate that freight turnover on the railroads will fall this year for the first time since 1979. Rail transport problems have become so serious that Andropov singled them out for special criticism in his speech to the Central Committee and subsequently fired Minister of the Railroads Pavlovskiy.

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**Growth of Freight
Turnover in the USSR**

Percent

	Average Annual 1976-80	1981	Estimated 1982	Average Annual Planned for 1981-85
Total freight	3.5	2.3	2.2	2.6
Railroads	1.2	2.0	-1.1	2.4

USSR: National Income

Billion 1973 rubles

	1980	1981	1982 ^a	1983 Plan
National income utilized	437	451	460	475
Consumption fund ^b	329	342	350	362
Accumulation fund	108	109	110	113

^a Preliminary.

^b Baybakov said that the consumption fund accounted for 80 percent of national income in 1982. This, however, probably represented some rounding up. We have estimated the share for 1982 at 76 percent; the share for 1981 was 75.8 percent; and the share planned for 1983 is 76.3 percent.

The 1983 Plan

The announced targets for 1983 are somewhat more modest than those implied in the original five-year plan, but substantially higher than achievements in 1981-82. The implied rate of growth for GNP, for example, is 4 percent, up sharply from the growth rates achieved in 1981 and 1982. Soviet planners also expect a sharp rebound in agricultural production and a near doubling in the rate of growth of industrial output.

Almost all of the planned increase of 15 billion rubles in national income is slated for the consumption fund, which includes the consumption of goods by the population and the use of goods to furnish public services (for example, health) and government administrative services (including research and development). The accumulation fund—which covers outlays for net civilian investment, military investment (construction, procurement, and major repairs), and inventory change—seems to be continuing the very slow rise evident since 1980. With some growth planned in gross civilian investment, there seems to be little or no growth planned for military investment in 1983.

Strategy for Doing Better

Andropov spoke candidly about the disappointing Soviet economic performance in recent years and implied that bold steps were called for, caustically observing that empty slogans and exhortations

would not solve the country's economic problems. But Andropov gave no indication last month that he intends to introduce major changes, at least in the near term. Judging by his remarks, only changes in emphasis are to be expected—for example, more autonomy for managers in implementing the plan and imposition of greater discipline on Soviet workers.

In any event, formulation of a clearly articulated economic policy by the new regime would require a consensus on how best to revive economic growth. Most of the key actors in the new leadership have been closely associated with a concept of more investment in heavy industry (particularly machinery), and some aspects of the 1983 Plan and budget suggest a move in that direction has already been set in motion. For example, growth in the machinery and equipment component of investment has been stepped up. Construction activity is to remain level. But to raise the return on construction, the Soviets aim to reduce by roughly 5 percent the inventory of uncompleted projects, which has climbed by more than 13 percent in the past two years.

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Greater Investment in Machinery

Investment in machinery and equipment, accelerated in recent years by Brezhnev, will be increased even more and channeled directly into those sectors of the economy where current bottlenecks are impeding production. Andropov identified those sectors as fuel and energy, ferrous metallurgy, chemicals, timber, wood processing and paper, machine building, and construction materials.

Carrying out this strategy will be difficult. During the past few years, growth in domestic machinery production—the source of consumer durables, producer durables, and military hardware—has been slowed by stagnation and even decline in the output of steel and nonferrous metals. The 1983 Plan, in fact, calls for an increase of only 4.8 percent in machinery production—the lowest planned growth since World War II. Imports of machinery and equipment will not help much. They have been declining since 1976 and are not likely to pick up substantially in 1983. While some drawdown in the inventories of uninstalled equipment is planned, this source of machinery is insufficient to account for the planned acceleration in the growth rate of machinery investment—from an average increase of 4 percent per year in 1980-82 to 7.9 percent in 1983. Since the 1983 Plan also calls for a continued rapid rise in the production of consumer durables, the implied increase in producer durables (that is, machinery and equipment for investment) may mean that production of military hardware is to level off.

Indeed, in the past few years, Soviet military procurement has not grown as rapidly as in the 1970s. There is some evidence of delays in the introduction of several new weapons systems into the military arsenal. These systems include two new ICBMs and an SLBM, a guided missile cruiser, and several new fourth-generation tactical aircraft. The Soviets' decision to remain within the SALT II constraints, technological problems, and resource limitations related to the economy's poor performance appear to be the principal contributing factors.

The duration of any slowdown in the growth of military hardware production would depend on how the leadership uses the planned increase in producer durables. If a large part of the increment is used to retool and expand defense industries, the growth in military hardware production could surge again by mid-decade. The Soviets have a large number of military development programs under way that could support such an increase, and they continue to expand their defense production facilities. On the other hand, if Moscow opts to concentrate the bulk of the increase on modernizing civilian industrial plants, military hardware production would have to grow slowly over a longer period. General Secretary Brezhnev may have been hinting at such an eventuality when he reminded the military leadership on 27 October that there are important bottlenecks in the economy and urged them to make better use of the resources they have been given.

Some of the runup in machinery investment will be channeled into the energy sector where investment needs are rising at ever-increasing rates, particularly to exploit the oil and gas fields of West Siberia. Investment in fuels, power, and oil and gas pipelines was slated to rise by 50 percent during 1981-85. Although the 1983 Plan did not reveal any investment targets for the energy sector, Andropov identified fuel and energy as one of the sectors into which more machinery is to be channeled. Indeed, the plan goals for output of oil, gas, and coal, as well as pipeline construction, cannot be met without continued large increments in investment.

General Secretary Andropov's nod of approval to the Brezhnev Food Program ensures continued allocations of machinery and equipment to agriculture in an effort to reduce waste and losses and improve rural infrastructure. Investment in the entire agro-industrial complex is planned to rise over 4 percent next year and consume almost one-third of total capital investment. The sharp rebound planned for agricultural output in 1983, however, suggests that the leadership may be betting as much on a break in the weather as they are on the role of investment.

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Consumer Welfare and Incentives

The new plan seems to be based on tighter discipline in economic management. Wages, tenure, and promotions are to be more closely geared to the quality of job performance. At the same time, a more hardline approach toward the management of the economy is being taken by placing stricter limits on the use of all kinds of production resources, particularly metals and fuels, and on the size of the labor force individual enterprises can employ. Overall discipline is to be tightened. Brezhnev frequently spoke in similar rough terms in the past but never went further than singling out ministers for criticism. Andropov has already fired two ministers—the Railroad Minister and the Minister of Rural Construction, Stepan Khtrov—and others may soon follow.

The 1983 Plan and budget also reflect continued efforts to bring consumer incomes into line with the availability of goods and services. The increases in monthly wages of workers and employees and collective farmers will be smaller next year, rising by 1.9 percent and 2.1 percent, respectively, following gains of 2.6 percent and 4.0 percent, respectively, in 1982. Retail trade turnover in current prices is planned to expand by 5.4 percent in 1983 after a 4.6-percent increase in 1982.

Reform

If Andropov has an agenda for reform, he did not tip his hand at the recent party and government meetings. At most, he called for cautious experimentation and careful examination of the experience in other socialist countries. The promotion of Nikolay Ryzhkov to the Central Committee Secretariat and of Gaydar Aliev to the post of First Deputy Chairman of the Council of Ministers do not suggest that economic reform is a pressing issue for Andropov—at least if he supported rather than acceded to these promotions. Ryzhkov's background is that of a typically successful Soviet engineer-manager who has grown up under the current system. His article on the economy in the

USSR: Selected Indicators of Consumer Welfare

	1979	1980	1981	1982 ^a	1983 Plan
Average monthly wages of workers and employees					
Rubles	163.3	168.9	172.5	177.0	180.4
Percent increase	2.1	3.4	2.1	2.6	1.9
Average monthly collective farm earnings					
Rubles	113.6	118.0	122.4	127.3	130.0
Percent increase	3.7	3.9	3.7	4.0	2.1
Retail trade turnover (state and cooperative)					
Billion current rubles	254.0	270.5	285.5	298.6	314.6
Percent increase ^b	5.3	6.5	5.5	4.6	5.4

^a Preliminary.

^b These official Soviet data probably are biased upward by 1 to 2 percentage points.

August 1982 issue of *Planovoye khozyaystvo* conveys the impression of a person who fully understands the need to install efficiency in the Soviet economy, is prepared to be a forceful administrator, but who is not likely to depart from the conservative approach to planning and management mandated in the July 1979 reform decree and followup resolutions.

Similarly, Azerbaijan first secretary Aliev, promoted to the post of First Deputy Chairman of the Council of Ministers and possibly being groomed as a replacement for Council Chairman Tikhonov, was probably brought to Moscow because of the success he has achieved in making the current system work. Aliev was not identified, as were some other local leaders, with any reform experiments.

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Foreign Trade

Given the tightness in domestic supplies, Soviet planners could well be looking toward foreign trade to help offset reductions in planned production and consumption goals. For example, imports of gas and oil equipment, steel, chemical equipment, and technology are needed to bolster production in key industrial areas, and imports of grain and other agricultural commodities are badly needed to supplement domestic farm output.

Nonetheless, the foreign trade plan for 1983 suggests that Moscow is unsure of its ability to earn the currency to pay for imports from the West and instead is relying on greater imports from socialist countries. In his report to the Supreme Soviet, Planning Chairman Baybakov said that the USSR's trade with socialist countries would increase by 7.7 percent and their share in total Soviet trade turnover would reach 58 percent. Baybakov's statements imply that the total volume of trade will grow by less than 6 percent and that trade with nonsocialist countries will decline.

Outlook

The economic policies laid out by Andropov thus far are well within the borders of those established during the Brezhnev years. However, major policy changes could lie ahead. Pressures will intensify to forcefully tackle the tough issues of resource allocation and to improve on the management of the economy. Specifically, Andropov must decide (1) whether to continue Brezhnev's agricultural policies, which have consumed so much of Soviet investment resources; (2) whether the country can, and should, step up the pace of investment in the last half of the 1980s, perhaps at the expense of some slowdown in defense spending; and (3) whether the system can, or should, institute any managerial reforms.

In designing its economic policies the Andropov politburo will have to contend with a growing malaise in Soviet society. The sources of popular discontent—a perceived decline in the quality of life, continuing restrictions on freedom of expression and belief, and rising national consciousness among some of the more than 20 major ethnic groups—pose problems of varying severity for the leadership.

The new leaders also must come to grips with the question of how dependent they want to be on Western goods, particularly farm products and technology. This issue is tied closely to their domestic investment policy. For example, continued purchases of Western farm products on the scale of recent years might permit some cutback in investment resources committed to agriculture. The outlook for Soviet hard currency earnings, however, suggests that to pay for rising imports from the West, the USSR will have to increase its borrowing markedly or arrange a large number of projects that offer Soviet raw materials in return for Western technology.

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